

*People are important
to progress*

STOP & SHOP
INC.

Annual Report

1960

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE





Annual Report

OFFICERS

Sidney R. Rabb
Chairman of the Board and Treasurer
Joseph Rabinovitz *President*
Irving W. Rabb *Executive Vice-President*
Norman S. Rabb *Senior Vice-President*
Lloyd D. Tarlin *Financial Vice-President*
Jacob Rabinovitz *Vice-President*
Donald A. Gannon *Vice-President*
Michael F. O'Connell *Vice-President*
Max E. Bernkopf *Clerk*
Arthur L. Sherin *Assistant Clerk*
George P. Kane *Assistant Treasurer*

DIRECTORS

| | |
|-------------------|-------------------|
| William Applebaum | Sidney R. Rabb |
| Max E. Bernkopf | Jacob Rabinovitz |
| Norman L. Cahners | Joseph Rabinovitz |
| Donald A. Gannon | Arthur L. Sherin |
| Irving W. Rabb | Sidney L. Solomon |
| Norman S. Rabb | Lloyd D. Tarlin |

TRANSFER AGENT

The First National Bank of Boston

REGISTRAR OF STOCK

The National Shawmut Bank of Boston

AUDITORS

Peat, Marwick, Mitchell & Co.

GENERAL COUNSEL

Sherin & Lodgen, Boston

Shares Traded on
Boston Stock Exchange and
American Stock Exchange



General Offices: 393 D Street, Boston 10, Mass.

for the year ended July 2, 1960

| COMPARATIVE HIGHLIGHTS | 1960 53 WEEKS | 1959 52 WEEKS |
|------------------------------------|------------------|------------------|
| SALES | \$239,078,801 | \$194,003,143 |
| EARNINGS | | |
| Before taxes on income | \$ 7,685,811 | \$ 5,859,498 |
| After taxes on income | \$ 4,136,043 | \$ 3,096,819* |
| Cash dividends paid | \$ 764,547 | \$ 592,018 |
| Cash dividends per share | \$.40 | \$.40 |
| **Stock Distribution | 25% | 25% |
| Reinvested in the business | \$ 3,371,496 | \$ 2,504,801* |
| % of net earnings to sales | 1.73% | 1.60%* |
| Per share of stock now outstanding | \$ 2.05 | \$ 1.53* |
| Current Assets | \$ 19,561,031 | \$ 18,578,858 |
| Current Liabilities | \$ 10,401,617 | \$ 10,188,934 |
| Working Capital | \$ 9,159,414 | \$ 8,389,924 |
| Current Ratio | 1.88 | 1.82 |
| Shareholders' Equity | \$ 21,860,866 | \$ 18,274,149* |
| Stores Opened and Acquired | 14 | 21 |
| Stores Closed | 4 | 5 |
| Stores in operation year end | 117 | 107 |
| Employees | 8,041 | 6,576 |

Note: All figures reflect the combined operation of Stop & Shop and the Publix and Food Basket stores for both fiscal years.

*The 1959 figures have been restated to provide for deferred Federal taxes. See Note 2 to Financial Statements.

**The distribution for both years represents a stock split of 5 shares for 4.



SIDNEY R. RABB
Chairman of the Board



JOSEPH RABINOVITZ
President

To the shareholders, employees and friends of Stop & Shop

The year ending July 2, 1960, was one of substantial growth. Our sales, profits, physical expansion, and growth of our people set new records.

As we move into the "Sixties", we can look back on a decade of growth which surpasses any previous ten-year period in the history of our company.

Sales and Earnings

The achievements of the past decade are brought sharply into focus by an evaluation of figures. At the end of the 1950 fiscal year, our sales had reached the \$50 million mark. For the 53-week fiscal year just ended, our sales were \$239,078,801 million, a gain of 23.2% over last year and almost a five-fold increase over the 1950 figures.

Net income after taxes rose to \$4,136,043, an increase of 33.6% over 1959 and a gain of 373% over the 1950 figure of \$874,278.

The company earned \$2.05 per share this year compared with \$1.53 last year, computed for both years on the basis of 2,018,953 shares outstanding on July 2, 1960.

This year the company adopted the policy of providing for deferred Federal taxes on income as a reserve for future taxes. We do this because we claim accelerated depreciation for tax purposes only, in accordance with the provisions of the Revenue Act of 1954. The 1959 earnings have been restated to place both years on a comparable basis. This required an increase of \$190,000 in the provision for Federal taxes this year and \$151,000 for last year.

An ever-improving degree of efficiency in operating and merchandising techniques is exhibited in our profit ratio of 1.73%. This is up from 1.60% in 1959, and 1.49% in 1958.

The 1960 *Fortune Magazine Directory* listing of the fifty largest merchandising firms in the country ranks Stop & Shop 43rd in annual sales and third in net profit as a percent of net worth. This is based on our 1959 annual report and is our first appearance on this list. Our net profit as reported in 1959 represented 17.5% of our net worth. For 1960 it increased to 18.9%.

Distribution to Shareholders

On September 7, 1960, your directors authorized the issuance of one additional share of stock for each four shares held. The distribution will be made on November 1, 1960, to shareholders of record October 14, 1960. Similar distributions were made in each of the last two fiscal years.

During the fiscal year, four quarterly dividends of ten cents each were paid. It is presently expected that the quarterly dividend rate of ten cents per share will be maintained following the stock distribution. The effect is to increase a shareholder's income from dividends by 25% again in the present fiscal year as in each of the past two fiscal years.

As an example of growth over the past decade, it is interesting to note that a shareholder who owned 100 shares of our stock on July 1, 1950 and retained ownership, will have 944 shares on November 1, 1960.

Our dividend policy has been to pay a con-

servative cash dividend and to supplement it with a stock distribution. This policy enables the company to retain a substantial portion of each year's earnings to provide a source of funds for its growth.

Physical Growth

Fourteen new Stop & Shop supermarkets were opened in this fiscal year. Six of these were in Connecticut, six in Massachusetts, and two in Rhode Island. This is the largest number of new supermarkets we have opened in any year.

The new stores were divided among the three states in which we now operate, with heavy concentration in the Connecticut area. New supermarkets in Stamford and Norwalk marked our first entry into the Fairfield County section of Connecticut and brought us to the New York line. Since the end of this fiscal year, we have opened two more stores in this southern Connecticut area at Fairfield and Milford.

It is outside the Massachusetts area that a comparison between our present position and our position of ten years ago illustrates the tremendous rate of growth and expansion by our company in this last decade. In 1950 in the state of Connecticut, we were operating four small stores in the city of Hartford. Ten years later, we have a total of 20 stores located throughout the State.

There were no Stop & Shop supermarkets in Rhode Island in 1950. We opened our first market there in December 1956. Presently, we are operating 9 supermarkets in the State.

At the end of the 1950 fiscal year, our company operated 87 stores, with an average volume of \$575,200 per store. The 117 stores in operation on July 2, 1960, were not significantly greater than the number of stores in operation ten years ago. The significant difference is in the average sales per store, which has increased to \$2,043,400 in 1960.

The rise in the average store volume is a direct result of the type of supermarket we are now

operating as compared to the type of store in operation ten years ago. Of the 117 stores we now operate 89 have been opened or acquired since 1950.

It is interesting to note that 75% of our present volume is being done in 69 stores opened or acquired during the past five years.

Additional Service Facilities

The rapid growth of our company in the last decade has brought with it a corresponding need for expansion of our service facilities.

Our new Grocery Distribution Center at Readville was completed during this fiscal year and is now in full operation. The dairy plant at the same site, including laboratory facilities for quality control for our company, has begun its operations for processing and delivery of milk to our Metropolitan Boston stores.

With the completion of the new addition to our office space on D Street, we have more than tripled our office area in the past ten years to service our expanding business.

Real Estate Operations

It was another busy year for our real estate subsidiaries. They constructed seven of our fourteen new stores, started the remodeling and enlargement of six stores of which two are finished, and completed the office addition and the Readville Distribution Center.

The ground floor of our general office building on D Street, formerly used as our grocery distribution center, has been leased to others.

In addition, the real estate subsidiaries continue to build for other tenants adjacent to our own markets whenever practicable. This helps to increase our own customer traffic and, at the same time, reduces our occupancy costs. We now do approximately 56% of our business in stores owned by our subsidiaries.

Our plan of real estate financing enables the company to continue to acquire and develop new

store locations through our subsidiary companies. The lease of the parent company supports the financing of the project by the subsidiary and the consolidated balance sheet liability of real estate debt is essentially the capitalization of our lease liabilities on the property we own. As each loan is paid in full, the cash flow of the consolidated companies will be increased and our occupancy cost on the paid-up properties will be accordingly reduced.

People Make the Difference

The physical growth of our company is, of course, a noteworthy accomplishment. But it could not have been achieved without the cooperation and contributions of our family of people. Few companies have been blessed with more able, dedicated, and loyal employees.

As our growth has accelerated, new horizons of opportunity have continually opened for our employees. It is our practice to help our people to develop their capabilities so that they will be ready to qualify for the increased responsibilities of advancement when the opportunity presents itself. Wherever possible, it is our policy to promote from within our own ranks those individuals whose performance merits advancement.

In the fiscal year just ended, there were 634 promotions. This is the largest number in any one year in our history. The high morale and general spirit of our people has been an important factor in the results that have been achieved.

Newcomers joined us in large numbers as 1,465 new employees were brought into the company in the past fiscal year. This brought the total

number of Stop & Shop people to 8,041, almost four times as many as were in the company in 1950.

As our people have grown and developed, a larger share of authority and responsibility has been delegated to them. This is in line with our concept of decentralized decision-making closer to the point of action.

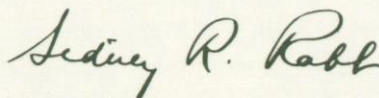
The development of our zone organization is also pointed toward the decentralization of management functions. It enables more people to take part in supervisory decisions and gives us a broader base for decision making. This is part of an intensive effort to develop more supervisors and give the company the depth in people and management so necessary for sound future expansion.

At the last annual meeting, Mr. Donald A. Gannon, our Vice-President in charge of retailing, was elected a member of the Board of Directors.

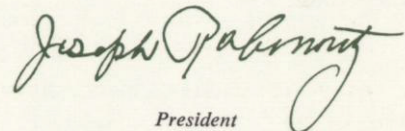
Future Growth

A great decade of growth is behind us. Our development has been according to plan. Progress has kept pace with our projection. Our growth performance of the past decade gives us confidence that great opportunities for continuing growth lie ahead.

In the competition for a larger share of the consumer's food dollar, we count heavily on our capable Stop & Shop people. Their strength and enthusiasm, their loyalty and dedication, gives confidence that our company will continue to grow and prosper in the years ahead.



Chairman of the Board



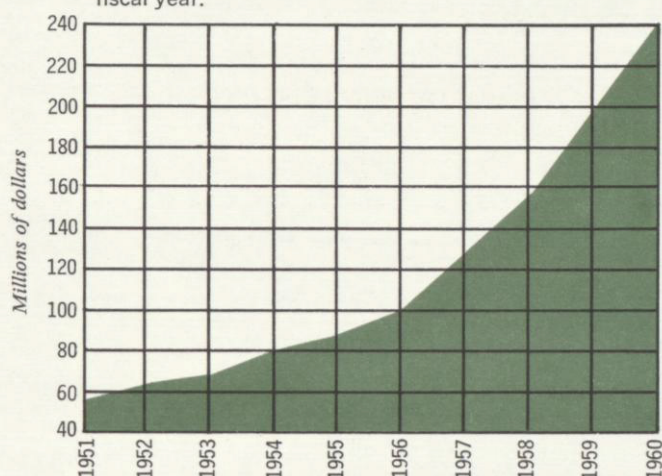
President

A DECADE OF PROGRESS

The progress of our company over the last decade reflects a continuous growth pattern. Sales, earnings, average sales per store, and earnings per share have all climbed to new highs.

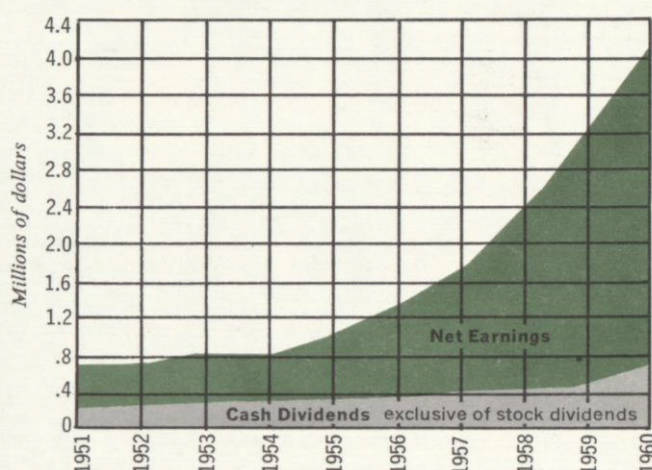
SALES

Ten years' sales results show continuous yearly gains with an increase of more than four times over 1951 fiscal year.



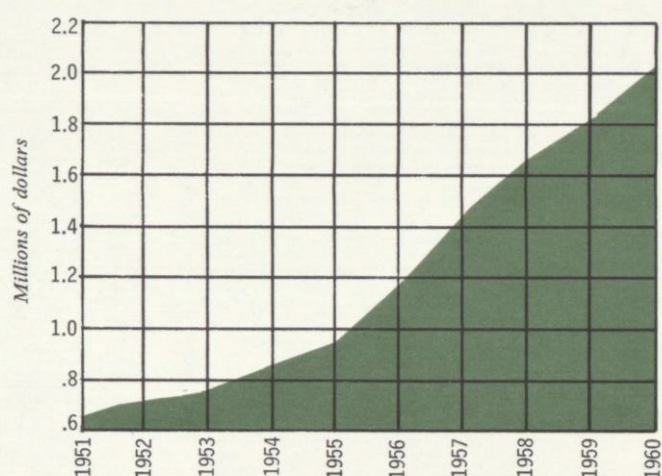
NET EARNINGS

Net earnings have increased more than five times in the past ten years.



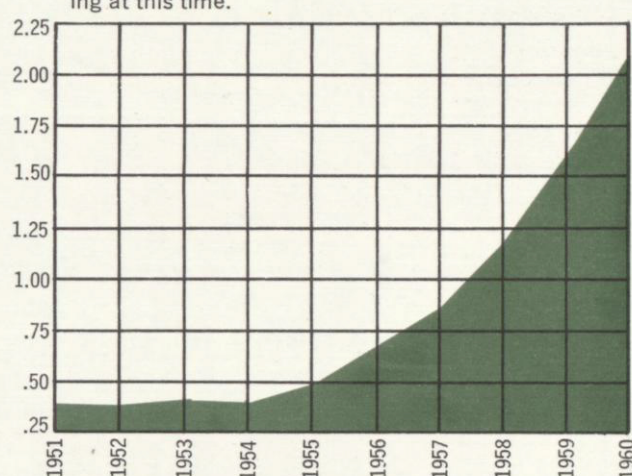
AVERAGE SALES PER STORE

Our average annual sales per store has increased more than threefold over the 1951 fiscal year.



EARNINGS PER SHARE**

The past decade has seen the earnings per share increase more than fivefold based on shares outstanding at this time.



| Sales | | Average Sales per Store | | Net Earnings | | Earnings per Share** | |
|-------|---------------|-------------------------|------------|--------------|--------------|----------------------|--------|
| Years | Total | Years | Total | Years | Net Earnings | Years | Total |
| 1951 | \$ 56,453,839 | 1951 | \$ 648,900 | 1951 | \$ 780,852 | 1951 | \$.39 |
| 1952 | 62,576,777 | 1952 | 727,600 | 1952 | 749,696 | 1952 | .37 |
| 1953 | 66,791,894 | 1953 | 767,700 | 1953 | 826,937 | 1953 | .41 |
| 1954* | 79,651,017 | 1954* | 865,800 | 1954* | 802,034 | 1954* | .40 |
| 1955 | 82,430,337 | 1955 | 969,800 | 1955 | 1,003,517 | 1955 | .50 |
| 1956 | 98,189,345 | 1956 | 1,183,000 | 1956 | 1,349,411 | 1956 | .67 |
| 1957 | 123,106,279 | 1957 | 1,465,600 | 1957 | 1,721,856 | 1957 | .85 |
| 1958 | 152,390,084 | 1958 | 1,674,600 | 1958 | 2,269,719 | 1958 | 1.12 |
| 1959 | 194,003,143 | 1959 | 1,813,100 | 1959 | 3,096,819 | 1959 | 1.53 |
| 1960* | 239,078,800 | 1960* | 2,043,400 | 1960* | 4,136,043 | 1960* | 2.05 |

*53 weeks.

**Based upon 2,018,953 shares outstanding 7/2/60

Net earnings and earnings per share for years 1956 through 1959 have been restated to show provision for deferred Federal taxes.

The figures for the 1959 and 1960 fiscal years only reflect the operation on Publix and Food Basket stores, acquired in the 1959 fiscal year, under "pooling of interest" principle of accounting.



INCREASED GROWTH

*Under construction in Concord,
our first store in New Hampshire.*



88 STORES IN MASSACHUSETTS



20 STORES IN CONNECTICUT



9 STORES
IN
RHODE
ISLAND



Present area served

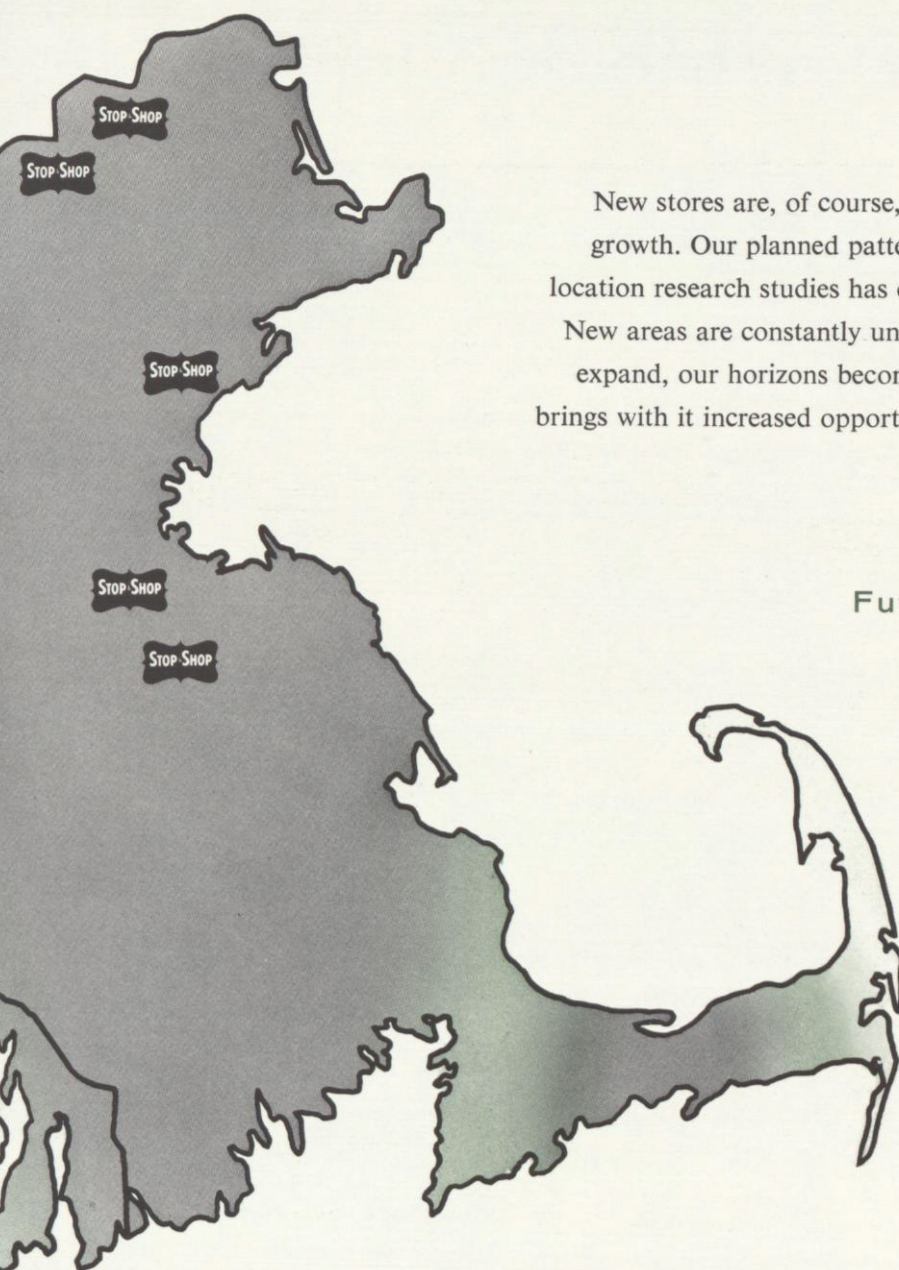


Area served in 1950



Future stores

MEANS EVER-WIDENING HORIZONS



New stores are, of course, a very important part of our growth. Our planned pattern of progress based upon location research studies has charted our course for the future. New areas are constantly under study. As we continue to expand, our horizons become ever-widening. Increased growth brings with it increased opportunities for our people.

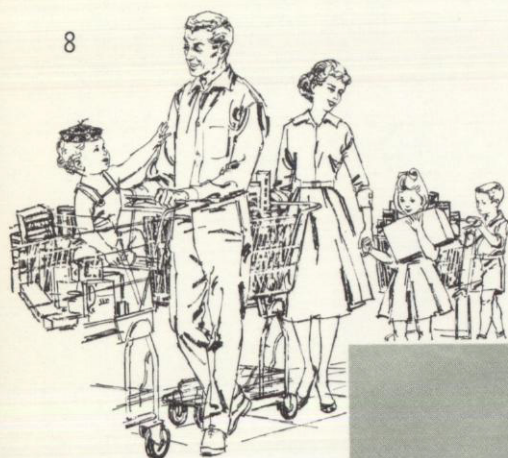
Future Stores

- *Fairfield, Conn.
- *Milford, Conn.
- Bristol, Conn.
- Greenwich, Conn.
- Manchester, Conn.
- New Haven, Conn.
- Braintree, Mass.
- †Framingham, Mass.
- Haverhill, Mass.
- Holbrook, Mass.
- Lynn, Mass.
- Marlboro, Mass.
- Methuen, Mass.
- Northampton, Mass.
- Worcester, Mass.
- †Springfield, Mass.
- Concord, N. H.
- No. Providence, R. I.

*Opened since end of fiscal year

†Relocations

Our rate of growth in the last decade is shown on the map. Ten years ago the majority of our stores were located in eastern Massachusetts with small clusters of markets in Springfield and Hartford. The lighter covered areas show how our areas of operation have grown so that by the end of this fiscal year we were in a position to serve the majority of food customers in Massachusetts, Connecticut, and Rhode Island. Ground has already been broken for our first store in New Hampshire.



MORE BUSINESS IN EXISTING STORES



Medford, Massachusetts — Six thousand square feet were added to the selling area in the Medford store.

Worcester, Massachusetts — Three thousand square feet were added to selling area in the Worcester store.



Derby, Connecticut — Three thousand square feet of selling area were added to the Derby store.

Our increased volume is not due to new stores alone. A large share of increased sales has resulted from greater volume in stores that are already open.

In some stores the increase in business has necessitated remodeled and enlarged sales areas. Thus, in addition to the new store opening program, we have a parallel program of store remodeling and enlargement. Stores remodeled in the past fiscal year are at Medford, Derby, Worcester, Somerville, Waltham, and West Springfield.

DISTRIBUTION OF EACH SALES DOLLAR



82.4^c

For cost of goods — merchandise, transportation, miscellaneous expenses and handling costs other than wages.



10.8^c

For wages and other employee benefits, including social security, retirement income and group life, health and accident insurance.



2.1^c

For store rentals, real estate taxes, light, heat and other utilities.



1.7^c

For taxes — Federal and State.



1.3^c

Set aside for wear and tear on equipment and buildings and spent for their maintenance and repair.



.3^c

To shareholders as cash dividends, exclusive of stock distribution.



1.4^c

To provide for Company growth by establishing new stores and facilities, modernizing others and for increased working capital.

NOTE: The last two items together represent the net profit on each dollar of merchandise sold by Stop & Shop in the 1960 fiscal year.



AND ITS SUBSIDIARIES

CONSOLIDATED

ASSETS

| | 1960 | 1959 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash | \$ 3,493,627 | \$ 3,263,397 |
| Receivable from mortgagees for construction costs covered by executed mortgage agreements | 202,778 | 1,574,157 |
| Accounts receivable, less allowance for doubtful accounts | 1,015,560 | 1,160,569 |
| Inventories, at the lower of cost or market | 14,346,999 | 12,175,035 |
| Prepaid expenses | 502,067 | 405,700 |
| Total current assets | <u>19,561,031</u> | <u>18,578,858</u> |
| Fixed assets, at cost (excluding fully depreciated assets): | | |
| Land, buildings and improvements | 36,389,034 | 30,487,797 |
| Buildings and improvements on leased land | 3,079,076 | 2,633,976 |
| Fixtures, machinery and equipment | 13,580,927 | 11,352,417 |
| | <u>53,049,037</u> | <u>44,474,190</u> |
| Less accumulated depreciation and amortization | 8,835,746 | 6,900,615 |
| | <u>44,213,291</u> | <u>37,573,575</u> |
| Leasehold improvements, at cost, less accumulated amor- tization | 1,882,862 | 1,668,040 |
| | <u>46,096,153</u> | <u>39,241,615</u> |
| Other assets: | | |
| Investments, at cost | 518,331 | 335,093 |
| Deferred charges | 138,000 | 113,488 |
| | <u>656,331</u> | <u>448,581</u> |
| | <u>\$ 66,313,515</u> | <u>\$ 58,269,054</u> |

See accompanying notes to consolidated financial statements.

BALANCE SHEET

(July 2, 1960 with comparative figures as of June 27, 1959)

LIABILITIES

| | 1960 | 1959 |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable | \$ 5,692,264 | \$ 6,903,726 |
| Accrued expenses | 2,782,837 | 1,996,703 |
| Federal taxes on income, estimated, less U.S. Government Securities \$1,250,000, 1960, \$1,000,000, 1959 | 1,568,023 | 827,809 |
| Current portion of long-term debt (note 1) | 358,493 | 460,696 |
| Total current liabilities | <u>10,401,617</u> | <u>10,188,934</u> |
| Deferred Federal taxes on income (note 2) | 505,000 | 315,000 |
| Long-term debt (note 1): | | |
| Mortgage notes payable | 28,146,076 | 23,941,730 |
| Other notes payable | 5,399,956 | 5,549,241 |
| | <u>33,546,032</u> | <u>29,490,971</u> |
| Stockholders' equity: | | |
| Capital stock of \$1 par value per share. Authorized 4,000,000 shares 1960, 2,000,000 shares 1959; outstanding 2,018,953 shares 1960, 1,602,262 shares 1959 | 2,018,953 | 1,602,262 |
| Capital in excess of par value of capital stock | 5,323,826 | 5,525,296 |
| Retained earnings, exclusive of amounts capitalized through stock dividends (note 1) | 14,518,087 | 11,146,591 |
| Total stockholders' equity | <u>21,860,866</u> | <u>18,274,149</u> |
| | <u>\$ 66,313,515</u> | <u>\$ 58,269,054</u> |



CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended July 2, 1960 with comparative figures for the year ended June 27, 1959

| | 1960 (53 weeks) | 1959 (52 weeks) |
|---|----------------------|----------------------|
| Retail sales | \$239,078,801 | \$194,003,143 |
| Cost and expenses: | | |
| Cost of sales, interest on mortgages, operating and administrative expenses | 228,593,967 | 185,759,727 |
| Depreciation and amortization | 2,558,648 | 2,117,432 |
| | <u>231,152,615</u> | <u>187,877,159</u> |
| | 7,926,186 | 6,125,984 |
| Less interest on borrowings other than mortgages | 240,375 | 266,486 |
| | <u>7,685,811</u> | <u>5,859,498</u> |
| Earnings before Federal taxes on income | 3,549,768 | 2,762,679 |
| Federal taxes on income, estimated (note 2) | | |
| | <u>4,136,043</u> | <u>3,096,819</u> |
| Net earnings | 11,146,591 | 8,805,790 |
| Retained earnings at beginning of year | <u>15,282,634</u> | <u>11,902,609</u> |
| | | |
| Less deferred Federal taxes on income applicable to prior years (note 2) | — | 164,000 |
| | <u>15,282,634</u> | <u>11,738,609</u> |
| Less cash dividends declared | 764,547 | 592,018 |
| Retained earnings at end of year | <u>\$ 14,518,087</u> | <u>\$ 11,146,591</u> |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE OF CAPITAL STOCK

Year ended July 2, 1960 with comparative figures for the year ended June 27, 1959

| | 1960 (53 weeks) | 1959 (52 weeks) |
|--|---------------------|---------------------|
| Balance at beginning of year | \$ 5,525,296 | \$ 5,040,745 |
| Add: | | |
| Credit resulting from exchange of shares of Stop & Shop, Inc. for all of the capital stock of the several Food Basket Companies | 1,500 | 350,645 |
| Excess over par value of proceeds from sales of capital stock to employees under the stock option plans | 198,198 | 431,821 |
| | <u>5,724,994</u> | <u>5,823,211</u> |
| Less par value of shares of capital stock issued as stock splits on the basis of one additional share for each four shares previously held | 401,168 | 297,915 |
| Balance at end of year | <u>\$ 5,323,826</u> | <u>\$ 5,525,296</u> |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Long-term debt consists of the following obligations:

| | <i>Due Within One Year</i> | <i>Due After One Year</i> |
|--|--------------------------------|-------------------------------|
| Mortgage notes, 3½% to 6¼%, maturing over a maximum period of twenty years. Although not signed by the company or its subsidiaries, these notes are secured by land, buildings and improvements costing approximately \$37,000,000 and by assignments of intercompany lease agreements | \$358,493 | \$28,146,076 |
| Equipment notes, 4¼% to 5¼%, maturing over a maximum period of four years, secured by assignment of intercompany lease agreements covering equipment costing approximately \$2,600,000 | — | 607,156 |
| Promissory notes, 3⅞%, payable \$250,000 annually and the balance of \$1,500,000 in 1971 | — | 3,750,000 |
| Promissory notes, 5%, due July 1961 | — | 1,042,800 |
| | <u>\$358,493</u> | <u>\$33,546,032</u> |

Aggregate annual maturities of mortgage notes outstanding becoming due after fiscal year 1961 will amount to an average of approximately \$1,750,000 a year through fiscal 1965, thereafter approximately \$1,500,000 for ten years to 1975, and varying annual amounts from 1975 to 1980.

Current installments under the foregoing indebtedness have been prepaid as follows:

| | |
|---------------------------------|--------------------|
| Mortgage notes | \$1,150,333 |
| Equipment notes | 293,085 |
| Promissory notes, 3⅞% | 250,000 |
| Promissory notes, 5% | — |
| | <u>\$1,693,418</u> |

The terms of the agreement relating to the unsecured promissory notes, 3⅞%, contain restrictions on the payment of cash dividends and the purchase or retirement of the company's capital stock. Consolidated retained earnings not so restricted at July 2, 1960 amounted to approximately \$5,955,000.

(2) During the current year the company adopted the procedure of providing for deferred Federal taxes on income. The 1959 figures in the accompanying consolidated financial statements have been adjusted to place them on a comparable basis. The provisions for Federal taxes in the years 1960 and 1959 have, accordingly, been increased by \$190,000 and \$151,000 respectively.

(3) At July 2, 1960 there remained outstanding options granted to 26 officers and employees of the company to purchase 54,949 shares of the company's capital stock at prices ranging from \$10.94 to \$32.34 per share. These options are exercisable over various periods extending to June 1, 1967. In addition 33,499 shares of the company's capital stock were reserved for future option grants. All options have been granted to majority shareholders at 110% of market value on dates of granting and at 95% in the cases of all other participants.

During the current year, options were granted to purchase 13,400 shares and options were exercised for 17,023 shares at granting prices ranging from \$10.94 to \$15.95 per share for a total consideration of \$215,221 as compared with the total value of \$612,594 based on quoted market prices on dates of exercise of the options. The number of shares under option at July 2, 1960 and related prices per share have been adjusted for stock dividends and stock splits.

(4) At July 2, 1960 the total minimum annual fixed rentals, exclusive of inter-company rentals, payable under leases expiring after three years, was approximately \$1,234,000, plus real estate taxes, insurance, etc., under certain leases. Leases covering about 66% of this amount expire on various dates within the next fifteen years.

Commitments for completion of existing contracts for the construction and renovation of buildings not reflected in the financial statements at July 2, 1960 amounted to approximately \$1,080,000.

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS
JOHN HANCOCK BUILDING
BOSTON 10, MASS.

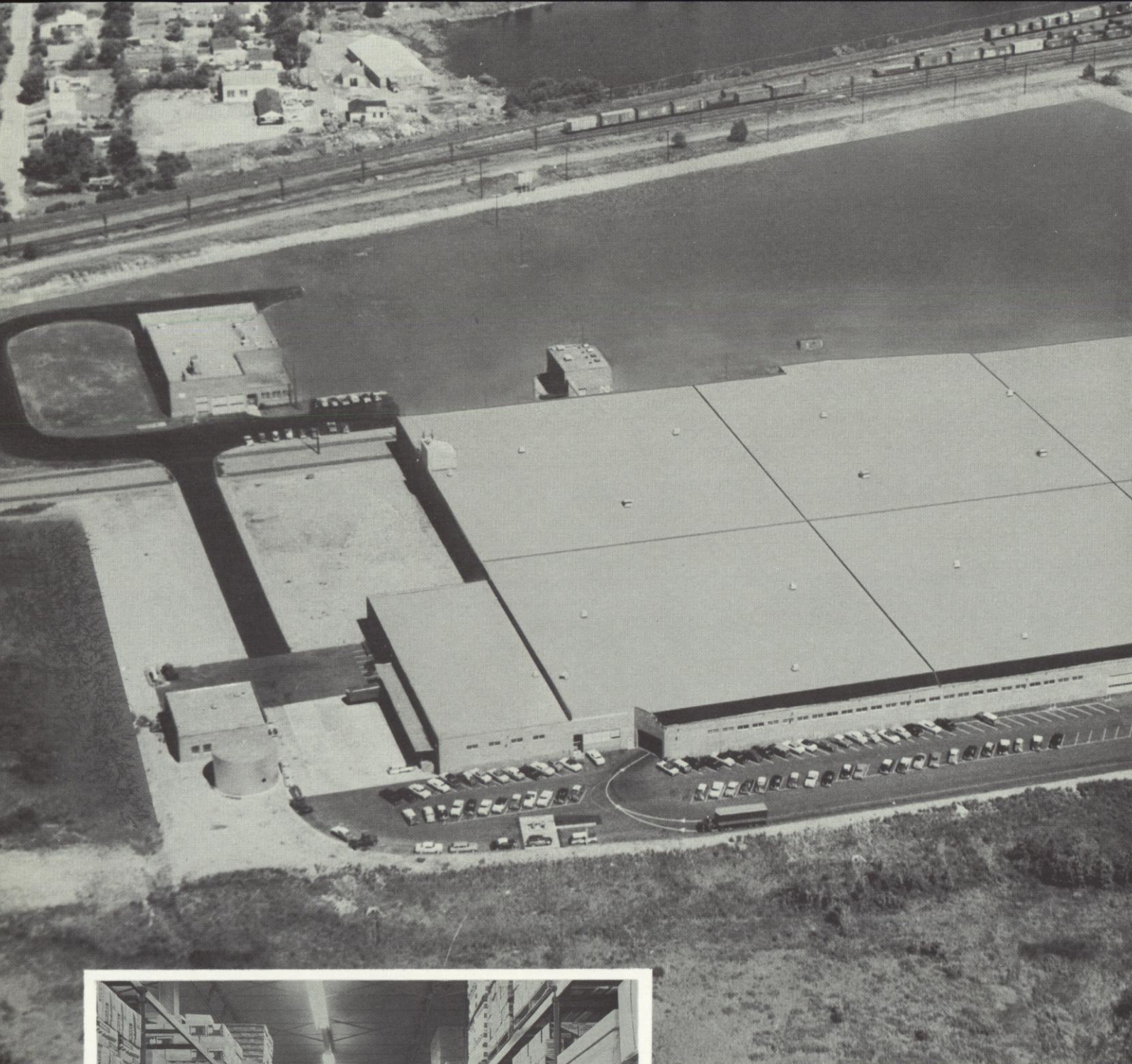
The Stockholders STOP & SHOP, INC.

We have examined the consolidated balance sheet of Stop & Shop, Inc. and its subsidiaries as of July 2, 1960 and the related consolidated statements of earnings and retained earnings and capital in excess of par-value of capital stock for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and capital in excess of par-value of capital stock present fairly the financial position of Stop & Shop, Inc. and its subsidiaries at July 2, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in the method of providing for deferred Federal taxes on income described in note 2 of notes to consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Boston, Mass.
August 26, 1960



Aerial view of our Food Distribution Center at our 72 acre tract on the Readville-Dedham line. The Grocery Distribution Center is in the foreground and the newly opened Dairy Plant and Quality Control Laboratory is at left-rear.

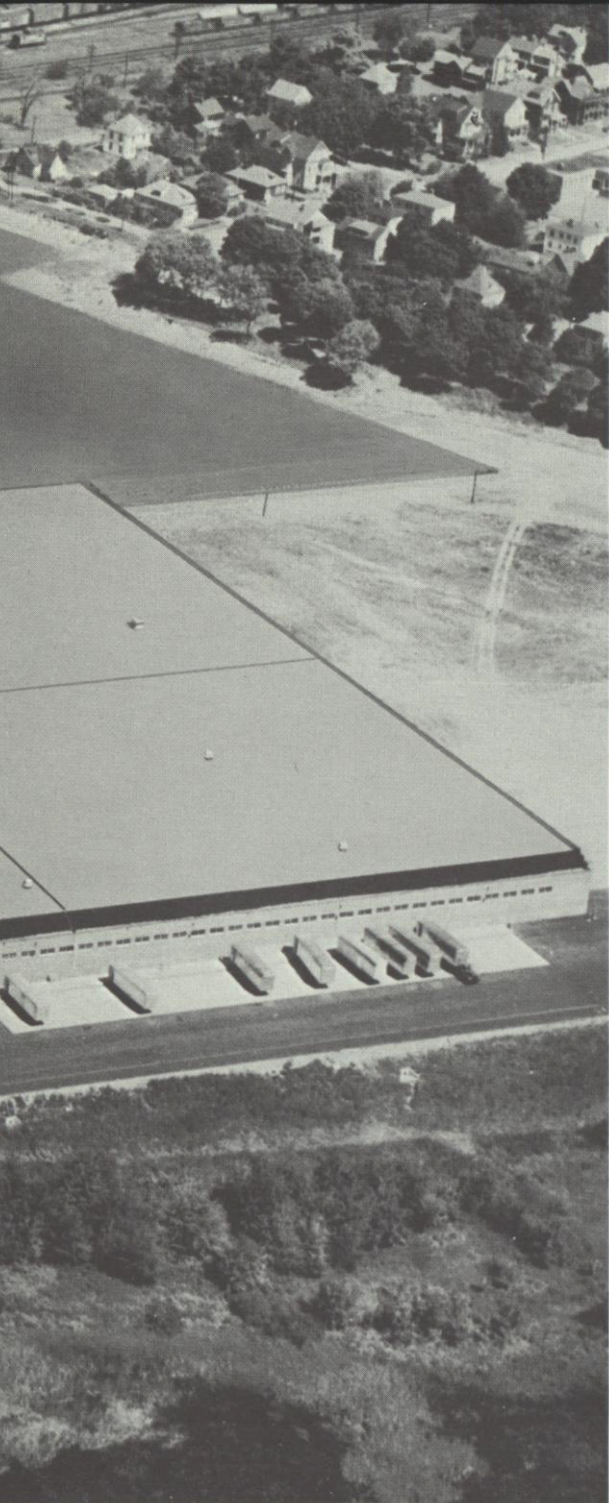


The Grocery Distribution Center, making use of the latest innovations and techniques of materials handling, now services our entire three-state operation. The huge facility covers 11 acres all under one roof.

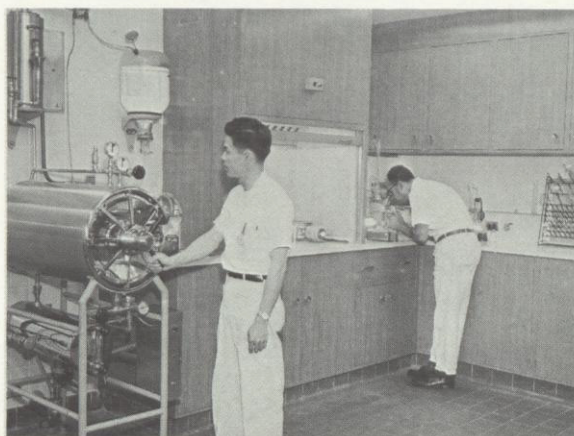
SERVICE FACILITIES EXPANDED TO MEET OUR GROWING NEEDS

The growing number of stores brings with it a need for expanded service facilities at our 72 acre tract on the Readville-Dedham line. Major steps have already been taken to have our service facilities keep pace with our store growth program. During the 1960 fiscal year, the Grocery Distribution Center was completed and opened. Utilizing the most modern processing methods and materials handling equipment, the Distribution Center is able to fill the grocery needs of our stores with maximum distribution efficiency.

Just before the close of the fiscal year our dairy plant and quality control laboratory with its modern kitchen was also completed. The plant is already servicing a large number of our stores. The dairy plant is fully automatic and is designed for distribution of milk keeping it under controlled refrigerated conditions until it reaches the consumer.



Recently opened Quality Control Laboratory centralizes all quality control work.





DEVELOPMENT OF PEOPLE TO

In an article written for Yankee Grocer, a prominent grocery trade publication, Board Chairman Sidney R. Rabb stated as a fundamental principle of our company that "successful supermarkets are built not with bricks but with people".

In the company's future expansion plans the development of people occupies a top priority. More positions of responsibility will become available for qualified people.

The personnel needs of our expanding company require that we help our people develop themselves to be ready to accept these opportunities. Toward this end we are constantly expanding and improving our Personnel Development Programs.

Along with the training necessary to the efficient technical operation of food retailing, there is also an increased emphasis on teaching and practicing the techniques of good management.



Department Managers' Convention attended by over 300 department managers from our stores is one of the programs for developing leadership at all levels of supervision. Similar conventions are held for zone supervision and store managers.



Produce trainees on a tour of one of our produce departments are instructed in display methods. The produce training course emphasizes merchandising and back-room preparation of produce for the consumer.



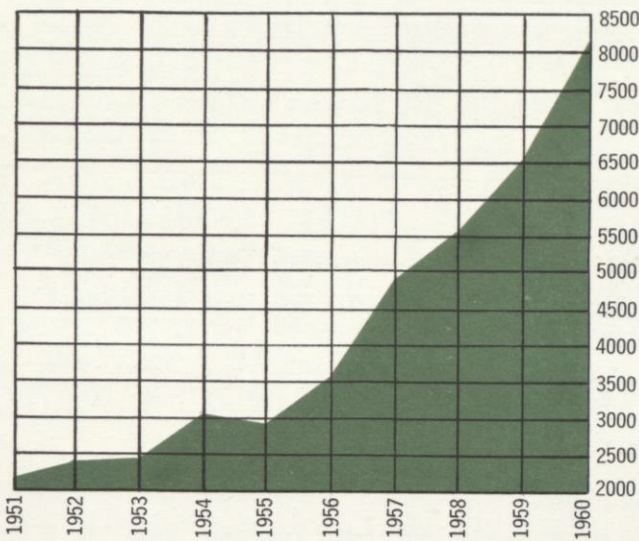
Meat apprentices become qualified to receive certificates of accomplishment from Manager of Employee Development Louis Simons (third left) upon completion of a two-year course starting as inexperienced recruits and emerging as full-fledged meat cutters.

MEET THE CHALLENGE OF THE FUTURE



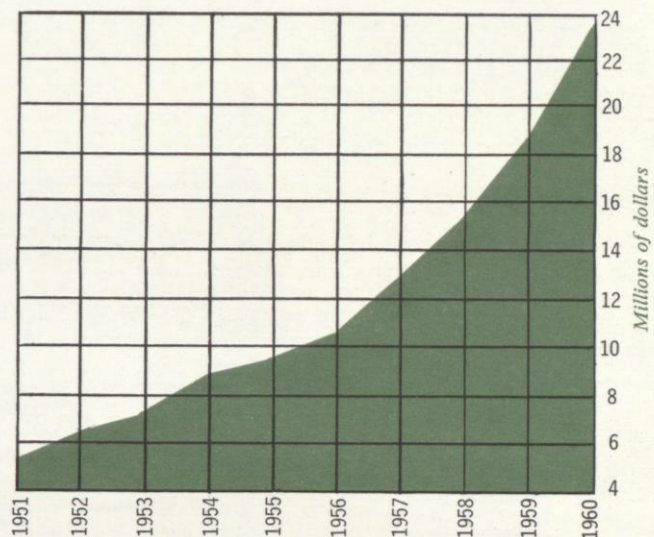
Management workshops in human relations are attended by supervisory people from all levels of our company and are designed to teach skills in the art of training and developing leadership ability. These workshops place particular emphasis on active participation of those attending the meeting.

The greatest ten-year period of growth for people in our company is graphically illustrated on charts below.



EMPLOYEES

The past ten years have seen almost a fourfold increase in the number of our employees.

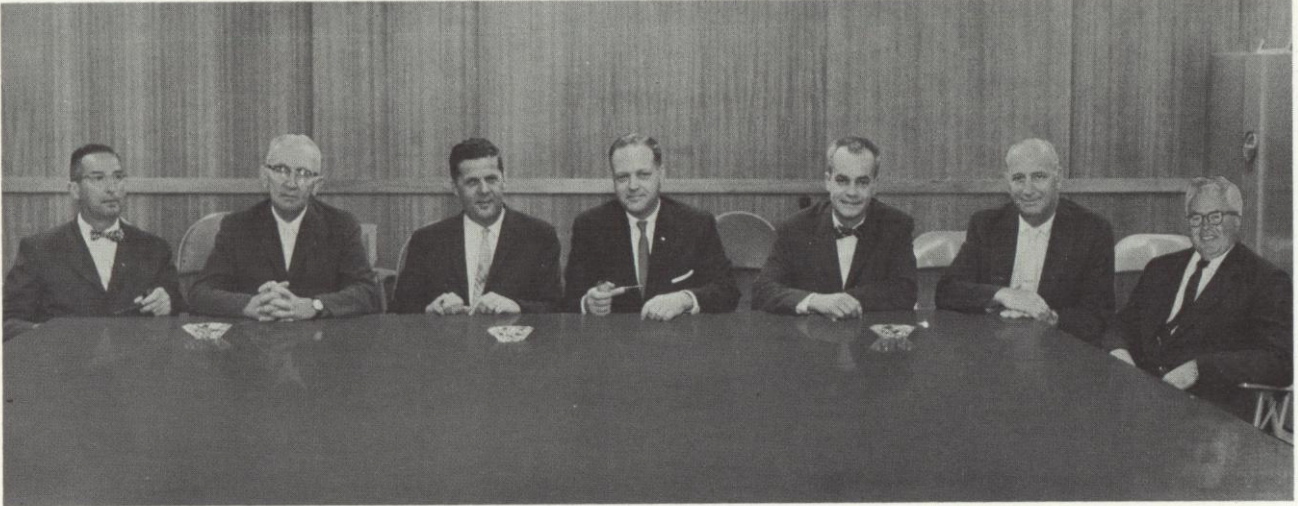


WAGES

The amount spent in wages and salaries reflects both growth in numbers of personnel and increases in hourly rates over the past ten years.

DECENTRALIZATION MEANS DECISION-MAKING AT POINT OF ACTION

Zone managers meet bi-weekly with General Stores Superintendent and other staff groups to discuss current operations and communications on future proposals and plans of the company.



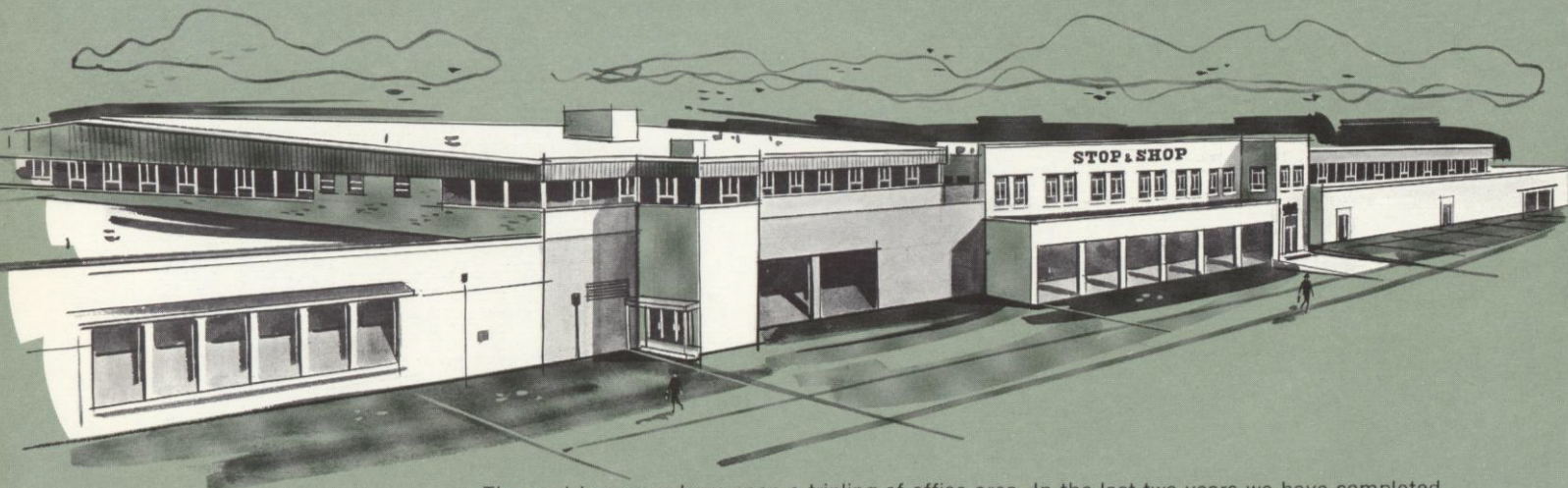
The foundation of our streamlined decentralization program is our zone system. The company is divided into six territorial zones. Each is headed by a Zone Manager assisted by supervisors in merchandising and personnel administration.

These managers are key links in the chain of two-

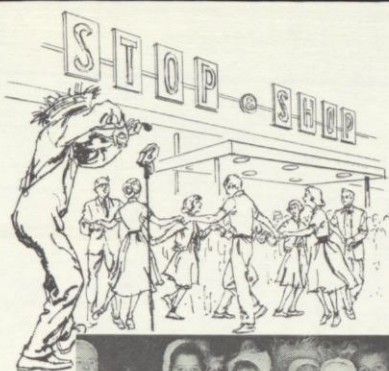
way communications at all levels of our store operations. They report to the General Stores Superintendent and have the responsibility of decision-making in their respective zones.

This achieves decision-making with a greater speed and flexibility at the point of action.

OFFICES ENLARGED TO SERVE EXPANDING COMPANY



The past ten years have seen a tripling of office area. In the last two years we have completed two large additions designed to handle our increases and make for more efficient operations.



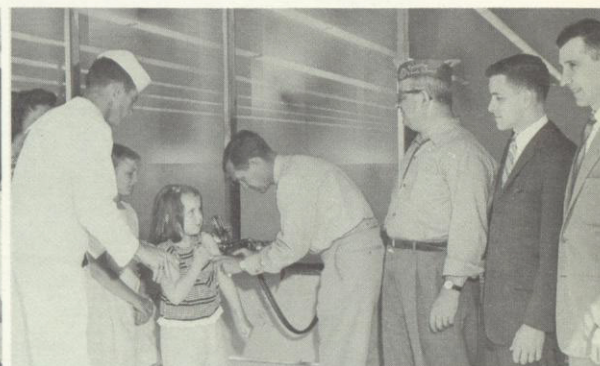
OUR STORES ARE GOOD NEIGHBORS



Halloween parties, sponsored by Stop & Shop in many communities, were well-attended by the youngsters. Weymouth Store Manager Lionel Allen distributes prizes to youngsters with the best Halloween costumes.



Worcester Store Manager Charles Kotsopoulos points out highlights of Natural Science Volumes which he presented to the St. Ann's Orphanage. Stop & Shop donated hundreds of these books to schools, orphanages, and libraries in Massachusetts, Connecticut and Rhode Island.



During a recent polio epidemic in Rhode Island, our parking lots were used by the Public Health officers for mass immunization injections. At Coventry, thousands received polio shots in a few hours.



An art exhibit featuring the work of local artists was presented at our Newton store in conjunction with community art groups. Store Manager Paul Hogan and Assistant Store Manager Ben Brownstein admire the display with one of the contributing artists.

In addition to establishing itself as the "Best Place to Trade and the Best Place to Work", Stop & Shop accepts as its responsibility the sharing in community activities and projects in its area of operation.

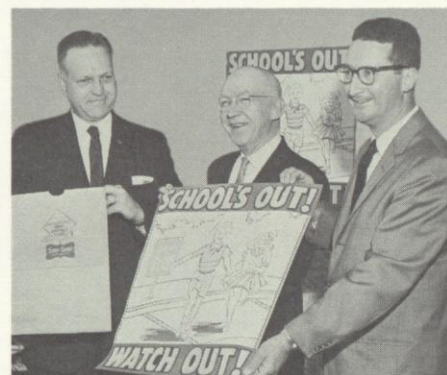
Our philosophy is to give of ourselves in the community interests. The management of our company accepts as a basic tenet that as "good neighbors" we have a responsibility to initiate and seek out opportunities to lend a helping hand in the interest of the community.

Over the years, this attitude has penetrated into all levels of our organization and led to broad participation in many community projects.

The seeds of service and community responsibility that are sown in this manner harvest a crop of community good will and appreciation.



Meat Merchandiser John Thomson explains differences in cuts of meat to a women's club at Cranston, Rhode Island. Store Manager John Gallonio (second left) and Meat Manager Anthony Schiano of the Cranston store participated in the presentation. Similar presentations designed to give the public a better knowledge of how best to use and serve meats have been attended by thousands.



"School's Out — Watch Out" was the theme as we supported the work of the Safety Councils in our area by distributing bags and featuring signs with a safety message in the campaign to "protect our children." Left to right: General Stores Superintendent Richard F. Spears; Charles L. O'Reilly, President of Massachusetts Safety Council; and Executive Director Bert Harmon of the Council.



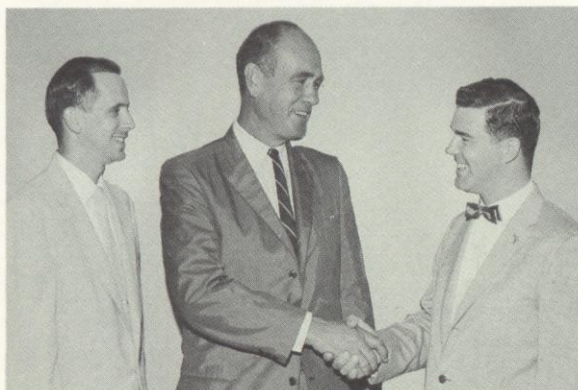
PEOPLE ARE OUR MOST IMPORTANT ASSET



Scholarship winners Richard Patrick (left) and Frank DeFelice were awarded National Association of Food Chains scholarships for a year's special study in the Food Retailing Curriculum at Cornell & Michigan State Universities. They were two of forty winners in national competition.



The United Fund Gold Medal Award, highest award that can be given to an employee group for outstanding contributions, was presented to our company for the second year in a row. Lucy Verrochi and William Merigan (right), our company co-chairmen, accepted the award on behalf of all Stop & Shoppers from Jim Britt and Byron K. Elliott of the United Fund.



Certificate of Merit was presented by Liberty Mutual Vice President Frederick Noll (extreme left) to Executive Vice President Irving W. Rabb who accepts the award on behalf of our bakery people. The certificate commended Stop & Shop people at the bakery who worked a total of 575,000 man-hours over a period of fourteen months without a lost-time accident. Members of the Bakery Safety Committee are in the background.

Eugene Andrews, of our Falmouth store, received an award from Captain Thomas Dillon, Commander of the Army ROTC Unit at Boston University, as this year's outstanding ROTC cadet at the University.



◀ Stamford Stop & Shop Store Manager Eugene Hartling (right) is congratulated by A. Reid Cross (center), president of the Stamford Junior Chamber of Commerce and Joseph H. Johnson, manager of Stamford Division, Hartford Electric Light Company, on his receiving an award from the Connecticut Junior Chamber of Commerce as its outstanding state director in 1959-60.

In a retailing organization such as Stop & Shop which serves the public in many cities and towns throughout our three state area, our company's image in the public's mind is determined in great part by their experience with individual Stop & Shop people.

Stop & Shop is fortunate to have employees who are outstanding representatives of the company. Collectively or individually, their adherence to the ideals and spirit of the company has proven to be the most important asset in our progress.

The Stop & Shop people shown here are typical of the thousands of others who contribute to the growth of their company and community.



Stop & Shop "Checker of the Year," Rosemary Battaglia of Waterbury, represented the New England region in the Supermarket Institute's "Checker of the Year" contest and was awarded the title of "International Speed Champion." She was one of ten international finalists.



Board Chairman Sidney R. Rabb accepts a Paul Revere Bowl from Frank Christian, President of the Advertising Club of Boston, on occasion of his appearance as guest speaker at Advertising Club luncheon. Subject of address was: "People Make The Difference."



Harry Ellis Dickson, guest conductor of the Esplanade Concerts, presents an appreciation certificate to Senior Vice President Norman S. Rabb for the company's support of the Esplanade Concerts.

THE STOP & SHOP CODE

We resolve that in our day-to-day relations with people we shall:

- Deal with each employee fairly and with respect for his human dignity.
- Provide good wages and working conditions and social benefits consistent with current practice in our industry and company earnings.
- Make every effort to insure security of employment.
- Develop employees in accordance with their natural capacities and afford opportunities for advancement based on merit.
- Provide safe and pleasant work environments.
- Conduct fair and just relations with representatives chosen by employee groups.
- Deal cheerfully with customers in providing good values in a wide choice of desirable merchandise.
- Support the advancement of good citizenship and community progress in our areas.
- Work for company growth and profit to insure a fair return to our shareholders.
- Be fair in our dealings with sources of supply and others who serve our company.

**New stores opened in Massachusetts
in fiscal year:**

Billerica
Boston
Concord
Dartmouth
East Springfield
Wakefield



*Dartmouth,
Massachusetts*

**New stores opened in Rhode Island
in fiscal year:**

Coventry
Woonsocket



*Coventry,
Rhode Island*

**New stores opened in Connecticut
in fiscal year:**

East Hartford
Hamden
Hartford
New Britain
Norwalk
Stamford



*Hartford,
Connecticut*



Fourteen new stores opened

*... this represents the largest number
of new supermarkets opened by our company
in any one year.*